

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

The Debt Problem Revisited

FROM:

Maurice C. Ernst  
NIO for Economics

EXTENSION

NO.

NIC #02524-84

DATE

26 April 1984

25X1

TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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
The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC #02524-84  
26 April 1984

MEMORANDUM FOR: Director of Central Intelligence   
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council 

FROM: Maurice C. Ernst  
National Intelligence Officer for Economics

SUBJECT: The Debt Problem Revisited

1. Attached is a typescript memo that I have prepared on the debt problem. I have sent it to interested officials at the Assistant Secretary and senior staff level. My objective is to stimulate the policy community concerned with this issue, especially at Treasury, to take another look at the debt problem on an interagency basis. The last interagency study on this question is a year old. The study laid the foundations for the current policy--essentially an ad hoc treatment of country debt problems, with heavy reliance on the IMF. I believe that this approach is still basically sound, but needs to be supplemented in important ways because of growing political resistance to IMF-imposed austerity in the debtor countries.

2. You may wish to send this study to your own policy counterparts.

  
Maurice C. Ernst

Attachment:  
As stated

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## THE DEBT PROBLEM REVISITED

### Introduction

About a year ago an interagency study of the debt problem was prepared for the SIG-IEP. The study concluded that, although major difficulties requiring complex US policy choices could be expected, the debtor countries could, over a reasonable period of time, work themselves out of the debt problem by rapidly expanding exports. The necessary conditions for such an export-led recovery were defined as: reasonably rapid economic growth (e.g., 3 - 4 percent a year) in OECD countries; the absence of protectionist policies; and appropriate adjustment policies in the debtor countries. This memorandum examines some of these judgments and perspectives in the light of developments in the past year and draws some tentative conclusions about the changing nature of some of the issues related to the debt problem.

### KEY JUDGMENTS

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